



KRS MEMBER NEWS

Kentucky Employees Retirement System • County Employees Retirement System • State Police Retirement System

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APRIL 2004

KRS News Briefs

❑ 2004 Cost of Living Raise to Retirees

Retired members and beneficiaries who are drawing a benefit as of June 2004 will receive a 2.3% increase on their July retirement allowance. The increase will be given automatically.

Cost of living adjustments are based on the percentage increase in the annual average of the Consumer Price Index for all urban consumers and applied to benefits each July.

❑ Ky. Deferred Compensation Board Action

The Internal Revenue Service (IRS) issued final Section 457 plan regulations last summer. As a result, the Kentucky Deferred Compensation Authority will no longer be able to transfer Section 457 funds to Kentucky Retirement Systems to purchase non-qualified service, school board summer months, or to pay the cost to convert eligible non-hazardous service to hazardous duty service. This provision is effective for any transfer requests made after August 15, 2004.

Effective July 1, 2004 the Authority will also begin assessing a fee of \$75 for each transfer of funds to the retirement systems to purchase service credit.

❑ Budget Reductions to KERS, SPRS Rates

The General Assembly adjourned April 13th without passing an Executive Branch budget for the upcoming biennium. In the versions of the budget passed individually by the House of Representatives and Senate, the employer contribution rates recommended by the KRS Board for KERS and SPRS were reduced to the level proposed by the Governor. If ultimately enacted into law or incorporated into an Executive Spending Plan by the Governor, these reductions will mark the 7th fiscal year that the state has not appropriated the funds necessary to pay the employer contribution rate recommended by the KRS Board and its consulting actuary. Based upon estimated payrolls, the proposed reductions from the recommended rates would result in a shortfall of more than \$201 million to KERS and SPRS over the next budget biennium, thereby creating additional unfunded liabilities and requiring higher contribution rates in the future.

Retirement Legislation

2004 General Assembly

By Bill Hanes, Executive Director

The 60-day regular session of the 2004 General Assembly came to a close on April 13th. Of the more than 1000 bills introduced this session, only a small percentage passed both respective chambers of the legislature. For this reason, I am very pleased to inform you that legislators voted overwhelmingly to pass HB 519, the retirement systems' housekeeping bill. HB 519 provides for continued improvements in the administration of the retirement systems including provisions to streamline the flow of contributions into the investment portfolio and provisions to improve disability retirement and review procedures.

A special thanks goes to Representatives Joe Barrows and Dwight Butler for being principal sponsors of HB 519, to Rep. Larry Clark for his help in moving the bill through the House, and to Senator Robert Stivers and Senator Dan Kelly for their efforts in moving the bill through the Senate.

In total there were 24 sponsors of HB 519. The other representatives were: John Adams, Adrian Arnold, John Arnold, Carolyn Belcher, Buddy Buckingham, Jim Callahan, Mike Cherry, Jack Coleman, Bob Damron, Jon Draud, Ted Edmonds, C.B. Embry, Tim Feeley, Charles Geveden, Derrick Graham, Tom Kerr, Don Pasley, Jim Thompson, Tommy Thompson, John Vincent, Jim Wayne, and Brent Yonts.

Retirement Legislation continued on page 2

INSIDE THIS ISSUE

- 1 KRS BRIEFS
- 1 RETIREMENT LEGISLATION
- 2 CHANGES TO SERVICE PURCHASE PROVISIONS
- 3 SCHOOL BOARD SERVICE CREDIT
- 3 CERS BENEFIT FACTOR CHANGE FOR NEW MEMBERS
- 3 CHANGES TO INSURANCE BENEFITS
- 4 CHANGES TO DISABILITY BENEFITS & PROCEDURES
- 5 PARTICIPATION OF GENERAL ASSEMBLY ASSISTANTS
- 5 2004 PRE-RETIREMENT SEMINAR SCHEDULE
- 6 DO YOU HAVE A PERSONAL IDENTIFICATION NUMBER (PIN)?
- 8 CONTACTING THE RETIREMENT OFFICE

I would also like to acknowledge the chairmen of the committees that deal with pension matters. Representative Charles Geveden, head of the House State Government Committee, and Senator Albert Robinson, chairman of the State and Local Government Committee, have both worked tirelessly over the years to help the KRS board and its members on retirement issues.

Thanks also go to Representatives Harry Moberly and Royce Adams and Senators Richie Sanders and Jack Westwood for their work to restore the requested administrative expenses for Kentucky Retirement Systems. Without their help over the years, many of the improvements in member services you enjoy today would not have been provided.

Several bills affecting retirement benefits were enacted during the 2004 General Assembly including bills to affect service purchases, insurance benefits, and disability retirement benefits. I encourage each of you to review this newsletter so that you will better understand those changes that affect you.

Changes to Service Purchase Provisions

A variety of amendments were made to the statutes governing service purchases during the 2004 General Assembly. Please be advised of the following changes.

Using Purchases for Insurance Benefits at Retirement

2004 legislative changes provide that most service purchases made on or after **August 1, 2004** will not be used to determine insurance benefits at retirement. The last business day prior to the effective date of the new law is **Friday, July 30, 2004**. This provision will apply to all service purchases made by the employee or employer with the exception of omitted service and recontribution of refunded service.

Employees wanting to purchase service credit and use the service for determining insurance benefits at retirement **must complete the purchase on or before Friday, July 30, 2004**. In order to complete the purchase prior to this date, you must request a purchase calculation from the retirement office and follow the payment guidelines listed below.

- ❑ Lump Sum Payments: If you plan to purchase service by lump sum payment, all checks must be filed at the retirement office **on or before the close**

of business on Friday, July 30, 2004.

- ❑ Installment Purchase of Service Agreement (IPS): If you plan to purchase service with monthly payments through a before-tax or after-tax IPS agreement, a completed contract must be filed at the retirement office **on or before the close of business on Friday, July 30, 2004**.
- ❑ If you plan to rollover or transfer funds from another qualified plan to purchase the service, a completed Form 4170, Direct Transfer/Rollover Acknowledgement Form, must be filed at the retirement office **on or before the close of business on Friday, July 30, 2004**. In order to be valid, both you and the financial institution making the direct rollover or transfer of funds must complete the appropriate sections of the Form 4170 correctly.

Remember: Having a request on file prior to July 30th, 2004 will not ensure that the purchased service will be used for insurance benefits at retirement. **You must complete the purchase on or before July 30, 2004.**

Example: Using Service Purchases To Vest for Insurance Benefits at Retirement

John Doe is currently participating in KERS and has 16 years of contributing service. He is eligible to purchase 4 additional years of active duty military service. If he completes the service purchase on or before July 30th, 2004, the purchased service can be used to reach the 20-year requirement for the full insurance contribution at retirement. If he completes the service purchase after July 30th, 2004, the purchased service cannot be used for determining insurance benefits and he will need to work an additional 4 years in order to be eligible for the full insurance contribution at retirement.

Purchase Provisions Affecting New Members

Employees who begin participating in the retirement systems **on or after August 1, 2004** will not be eligible to use service purchases for determining eligibility for death benefits, disability retirement, normal retirement, or early retirement. This provision will apply to all service purchases made by the employee or employer with the exception of omitted service and recontribution of refunded service.

New Vesting Requirements

2004 legislative changes will also require employees to

continued on page 3

be participating and vested in KERS, CERS or SPRS in order to purchase past service with a participating agency. Past Service with an agency is service worked prior to the date the agency began participating in the retirement systems.

In order to be vested, an employee under age 65 will have to attain 60 months of combined service in KERS, CERS or SPRS prior to making the purchase. An employee age 65 or older will have to attain 48 months of combined service in KERS, CERS or SPRS prior to making the purchase.

The effective date of the new law requiring vesting to purchase past service with a participating agency is Tuesday, July 13, 2004. Employees wanting to purchase this type of service before the new vesting requirement becomes law **must complete the purchase on or before the close of business on Monday, July 12, 2004.** To complete the purchase prior to this date, any lump-sum payments, completed contracts for Installment Purchase of Service Agreements (IPS), and/or a completed Form 4170, Direct Transfer/Rollover Acknowledgement Form must be filed at the retirement office on or **before the close of business on Monday July 12, 2004.**

New Service Purchase

Employees currently or previously employed with a participating Community Action Agency may be eligible to purchase additional service as a result of legislation enacted during the 2004 General Assembly. Employees who were contracted to work less than 12 months a year are now eligible to purchase the additional months needed to complete the fiscal year. To purchase this service, the Community Action Agency where the service was worked must verify the periods of employment by completing a Form 4225, Verification of Past Employment. Copies of the Form 4225 can be requested from the retirement office or by going online to the system's website at www.kyret.com. The maximum amount of service that can be purchased for a particular fiscal year under these provisions cannot exceed 3 months.

The effective date of this legislation will **be July 13th, 2004.**

School Board Service Credit

The legislature also approved a measure to ensure that retirement service credit is awarded to school board

employees who are required to work additional hours to make up for missed instructional time lost due to emergencies, including weather related emergencies. Under the provisions of SB 28, the additional time worked by a classified school board employee shall be used for determining retirement service credit if the employee is contracted to work 6 hours per day and required to work the additional instructional time. Classified employees contracted to work less than 6 hours per day may be assigned other duties to make up for any service credit that is lost due to school emergencies. The provisions of SB 28 will apply to both the current and future fiscal years.

CERS Benefit Factor Change for New Members

Under the provisions of HB 290, employees who begin participating in the County Employees Retirement System (CERS) in a non-hazardous position **on August 1, 2004 or after** will be eligible for a 2.0% benefit factor at retirement.

Changes to Insurance Benefits

Changes for New Members as of July 1, 2003

Under the provisions of HB 290, employees who began participating in the retirement systems **on or after July 1, 2003** will be eligible for insurance benefits at retirement based upon a new formula.

Non-hazardous employees whose participation begins on or after July 1, 2003 will earn a contribution for insurance of \$10 per month for each year of earned service. For example, if a member begins participating July 1, 2003 and retires with 20 years of actual service, the contribution paid by the retirement systems for insurance coverage will be \$200 per month.

Employees working in a hazardous duty position whose participation begins **on or after July 1, 2003** will earn a contribution for insurance of \$15 per month for each year of earned hazardous duty service. Upon their death, the spouse of a hazardous duty member will receive a monthly insurance contribution of \$10 per month for each year of hazardous duty service provided the spouse is designated as beneficiary and remains eligible for monthly benefits upon the retired member's death. For example, if a hazardous duty member begins participating July 1, 2003 and retires with 20

continued on page 4

years of actual hazardous service, the contribution paid by the retirement systems for insurance coverage will be \$300 per month. Upon the member's death, the spouse, if eligible, would receive a monthly insurance contribution of \$200 per month.

In order to be eligible for these insurance benefits at retirement, employees who begin participation on or after July 1, 2003 will be required to earn 10 years of actual service credit. The monthly contribution will also be increased annually by the change in the Consumer Price Index for all urban consumers (CPI-U).

If a member begins participating on or after July 1, 2003 and is disabled in the line of duty or killed in the line of duty, the 10-year service requirement will be waived. In the line of duty insurance benefits will be calculated as if the member had 20 years of hazardous duty service under the new insurance provisions.

The provisions of the bill also allow the General Assembly to alter the level of insurance benefits for employees hired on or after July 1, 2003.

Proposed Changes to the State Health Insurance Group

Many of you are already aware that Governor Fletcher has proposed significant changes to the State Health Insurance Group for the 2005 plan year. Most retirees and beneficiaries under the age of 65 participate in the health insurance plans provided through the state group. To date, specific details of the new plan have not been published. As more information becomes available, you will be notified of any changes effecting your insurance benefits for the 2005 plan year.

Changes to Disability Benefits & Procedures

Changes to Disability Application Procedures

New disability application and review procedures will go into effect on July 13, 2004. Under the new procedures, members applying for disability benefits will have the opportunity to submit all medical information to the retirement systems and to verify that the information is ready to be reviewed by the systems Medical Examiners. These changes are expected to reduce the time for determination of disability and will place more control over the process into the hands of the member applying for benefits.

Disability Benefit Changes for New Members

Employees who begin participating in the retirement systems on or after August 1, 2004 will be eligible for disability benefits based upon a new formula.

The new formula for non-hazardous employees will provide a disability benefit that is the higher of 20% of Final Rate of Pay or an unreduced benefit based upon actual service credit.

The new formula for hazardous duty employees will provide a disability benefit that is the higher of 25% of Final Rate of Pay or an unreduced benefit based upon actual service credit.

Employees hired on or after August 1, 2004 will also be eligible to apply for disability benefits without regard to eligibility for an unreduced benefit.

Things You Should Know Before Making A Visit To The Retirement Office

Schedule your appointment in advance. Appointment slots fill quickly depending upon the time of year and the current backlog of requests. You can schedule your appointment up to three months in advance.

Bring a photo ID with You. The retirement office requires all visitors to present photo identification upon arrival.

Bring copies of birth certificates. Please bring a copy of your birth certificate to your appointment. If you are retiring and naming a single individual as beneficiary of your monthly retirement allowance, you will also need to provide a copy of your beneficiary's birth certificate.

Bring a copy of your last two pay stubs. In order to improve the accuracy of your estimate, please bring a copy of your last two pay stubs. If your pay stub does not include your accrued compensatory time and sick leave balance, you may want to provide additional information to verify your leave balances.

Social Security Adjustment Option. If you are planning to select one of the Social Security Adjustment Options, please provide an updated estimate of Social Security benefits you will receive at age 62 from the Social Security Administration.

Verification for service purchases. If you are planning to purchase service credit, be sure that the appropriate verification is on file with the retirement office before your appointment date.

Prepare yourself. Office appointments are scheduled to last no more than 1 1/2 hours. The more you know about your benefits, the more productive your appointment will be.

Participation of General Assembly Assistants

Legislation was also passed affecting the participation of assistants to the General Assembly. In the past, General Assembly assistants were required to participate in KERS after serving 6 regular legislative sessions. Individuals serving as an assistant to the General Assembly **prior to July 13, 2004** will now be given the opportunity to elect or reject participation in future legislative sessions. Individuals who begin serving as an assistant to the General Assembly **on or after July 13, 2004** will be designated as interim employees and will not be eligible for participation in KERS.

2004 Pre-Retirement Seminar Schedule

Retirement is a goal most employees look forward to with anticipation. For many, retirement provides the opportunity and means to pursue personal interests or to spend more time with family and friends. For some, it even means a chance to start a new career. Regardless of the plans you have after retirement, one thing is certain -- you will be forced to answer many personal, financial, and legal questions before you get there.

What level of retirement income is needed to meet your standard of living? What sources of retirement income can you rely upon? Should you retire as soon as you're eligible? How much would your retirement benefits increase if you retire the next year or the year after? Is it better for you to select the maximum benefit or a payment option that protects a beneficiary? Will you work after retirement, and will doing so jeopardize your benefit from KRS? Do you want to work after retirement? What level of insurance coverage will meet your needs?

These are just a few of the questions KRS members ponder at retirement, and it's not hard to see why retirement planning can become overwhelming for many members. For this reason, Kentucky Retirement Systems offers a comprehensive Pre-Retirement Education Program (PREP) to help ease your adjustment into retirement. This program features professional speakers to address many of the financial and legal considerations you will be facing, including:

- Your KRS Benefits: Presented by KRS staff, this

session provides an overview of retirement benefits provided to you as a member of Kentucky Retirement Systems. Major issues discussed include retiree health insurance benefits, understanding retirement payment options, the retirement application process and purchasing creditable service.

- Estate Planning: Guest speakers will be on hand to discuss the importance of having an up-to-date will, power of attorney, planning for death taxes, and the selection of an attorney and an executor.
- Social Security and Medicare: A general overview of Social Security and Medicare benefits presented by the Social Security Administration (SSA).
- Transition to Retirement: The elements of a successful transition to retirement will also be discussed, including mental preparation for your changing role, developing new networks, the effects of retirement on your personal relationships and planning fulfilling involvements and activities.

As a member of KRS, you are encouraged to attend a Pre-Retirement Education Program (PREP), particularly if you are within five years of retirement. For your convenience, the PREP program will be offered at various locations throughout the state in 2004. A list of dates and locations are listed below.

2004 Pre-Retirement Seminars	
<u>Date</u>	<u>Location</u>
June 3 (Thursday)	General Butler State Resort Park
June 25 (Friday)	Lake Cumberland State Resort Park
July 15 & 16 (Thursday-Friday)	Frankfort – Holiday Inn Capital Plaza
August 6 (Friday)	Rough River Dam State Resort Park
August 27 (Friday)	Owensboro – Executive Inn
September 10 (Friday)	Jenny Wiley State Resort Park
October 29 (Friday)	Lake Barkley State Resort Park

For more information on the Pre-Retirement Education Program (PREP) or to learn more about your KRS benefits, please go to the KRS web site at

continued on page 6

www.kyret.com, or phone the retirement office at (502) 564-4646 inside Frankfort or (800) 928-4646 outside Frankfort and enter extension 4522.

REMEMBER: PEOPLE DO NOT PLAN TO FAIL, BUT OFTEN PEOPLE SIMPLY FAIL TO PLAN.

Do You Have A Personal Identification Number (PIN)?

Over the last few months, many members have taken the necessary steps to establish a Personal Identification Number (PIN) for their retirement account. In doing so, these members are now able to call the retirement office and discuss specific information about their account over the phone with a retirement counselor. If you are one of the individuals who have not established a PIN for your account, please take the time to read the following article.

What Are The Benefits Of Having a PIN?

By establishing a Personal Identification Number (PIN) for your account, you will be able to access specific account information over the phone including:

- ❑ Account balances and service credit totals.
- ❑ Information on your eligibility for pension and insurance benefits.
- ❑ Counseling for active members on individual retirement estimates or service purchases.
- ❑ Counseling for retired members on insurance benefits and premiums.
- ❑ The status of requests you have submitted to the retirement office.

Keep in mind that without a PIN, a retirement counselor cannot discuss any matter specific to your account over the phone.

How Do I Establish A PIN For My Account?

To establish a PIN for your account, you will first need to complete a Form 1000, *Request for a Personal Identification Number (PIN)*. A copy of the form is attached to this newsletter for your convenience.

To complete the form, please follow the procedures listed below:

- ❑ At the top of the form please provide your name, Social Security Number, current mailing address, and daytime phone number.
- ❑ If your address has recently changed or if you are

unsure whether the address on file with the retirement office is correct, please check the box "Update my address on file with the KRS" located at the top of the page.

- ❑ In order for the form to be valid, you must sign the form and have the form acknowledged by a Notary Public.
- ❑ Once the form has been completed, you will need to mail it to the retirement office at the address listed on the form. You may also fax the form to the retirement office at (502) 564-9198.
- ❑ Upon receipt of your completed Form 1000, the retirement office will issue you a Personal Identification Number (PIN) by mail. Most requests for a PIN number are mailed within 1-2 days of receiving the completed form.

How Does The PIN Work?

In order to access confidential account information over the phone, you will need to have both your Social Security Number and Personal Identification Number (PIN) available when you call the retirement office. The Retirement Counselor who answers your phone call will ask that you provide both of these numbers before providing any specific account information.

Safeguard Your PIN

Be sure to keep your PIN information in a secure location. Keep in mind that anyone who has your Social Security Number and PIN can discuss your account information over the phone with a KRS retirement counselor. In the event that your PIN does become lost or stolen, you can establish a new PIN by completing and filing a new Form 1000.

Closing Comments

If you have not already established a PIN for your account, please take the time over the next few days to complete the Form 1000 attached to this newsletter and mail it back to the retirement office. Doing so will allow you the opportunity to access the information you need the next time you contact the retirement office.

In order to access confidential account information over the phone, you will need to have both your Social Security Number and your Personal Identification Number (PIN) available when you call the retirement office.

Kentucky Retirement Systems
Perimeter Park West
1260 Louisville Road
Frankfort KY 40601-6124
Phone: (502) 564-4646
Fax: (502) 564-9198
www.kyret.com

**REQUEST FOR A PERSONAL IDENTIFICATION NUMBER
 AND AUTHORIZATION TO PROVIDE CONFIDENTIAL ACCOUNT INFORMATION
 BY TELEPHONE**

Name: _____ Applicants SSN: _____

Address: _____

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Update my address on file with KRS

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Daytime Telephone Number

Please provide me with a personal identification number (PIN) so I will be able to obtain confidential information regarding my account by telephone. I hereby authorize Kentucky Retirement Systems to provide information regarding my account by telephone to any caller stating the PIN assigned to me by Kentucky Retirement Systems. I understand that the Kentucky Retirement Systems has a statutory duty under KRS 61.661 to administer my account in a confidential manner and will only release information regarding my account by telephone with my authorization. I also understand that I have a duty to protect my PIN because the PIN could be used by anyone to obtain my confidential account information by telephone. I may change my PIN at any time, for any reason, by filing a new Form 1000 with Kentucky Retirement Systems. If I wish to revoke my authorization, I understand that I must file a written revocation with Kentucky Retirement Systems. I understand that this authorization to provide confidential account information by telephone is for my convenience. In exchange for the convenience of accessing my account information by telephone, I hereby agree to hold harmless Kentucky Retirement Systems and shall indemnify Kentucky Retirement Systems for any loss or penalty, including reasonable attorney's fees, associated with the release of confidential account information in accordance with this authorization.

SIGNATURE: _____ DATE: _____

TO BE COMPLETED BY NOTARY PUBLIC

STATE OF _____ COUNTY OF _____

The foregoing instrument was acknowledged before me this _____ day of _____, 20 _____

by _____

 Notary Public

My Commission Expires: _____

Requesting Information

Members with questions about their accounts can contact the Kentucky Retirement Systems:

BY MAIL	KENTUCKY RETIREMENT SYSTEMS PERIMETER PARK WEST 1260 LOUISVILLE ROAD FRANKFORT, KY 40601-6124	ALL WRITTEN INQUIRIES SHOULD INCLUDE THE MEMBER'S NAME, HOME MAILING ADDRESS, <u>SOCIAL SECURITY NUMBER, AND SIGNATURE</u> . IF YOU ARE REQUESTING AN ESTIMATE OF RETIREMENT BENEFITS, PLEASE INCLUDE ANY RETIREMENT DATES YOU ARE CONSIDERING. IF YOU ARE REQUESTING A SERVICE PURCHASE CALCULATION, PLEASE INCLUDE THE TYPE OF PURCHASE AND THE NECESSARY VERIFICATION IF REQUIRED.
BY PHONE	1-800-928-4646 EMPLOYEE CALL CENTER: EXTENSION 4522 RETIREE CALL CENTER: EXTENSION 4520 DISABILITY CALL CENTER: EXTENSION 4521	TELEPHONE INQUIRIES ARE HANDLED BY THE RETIREMENT SYSTEMS' CALL CENTER, WHICH ASSISTS CALLERS IN OBTAINING SERVICES OR FORMS AND WITH ANSWERS TO QUESTIONS ABOUT THE RETIREMENT SYSTEMS. YOU CAN ALSO MAKE AN APPOINTMENT TO SEE A KRS COUNSELOR AT THE RETIREMENT OFFICE OR SUBMIT A REQUEST FOR INFORMATION BY CONTACTING THE KRS CALL CENTER.
WEB PAGE	VISIT US ONLINE AT: WWW.KYRET.COM	YOU CAN GENERATE INDIVIDUAL RETIREMENT ESTIMATES ONLINE BY GOING TO WWW.KYRET.COM AND SELECTING "ONLINE BENEFIT ESTIMATOR". EDUCATIONAL MATERIALS AND FORMS ARE ALSO AVAILABLE ON OUR WEB PAGE.



www.kyret.com

KENTUCKY RETIREMENT SYSTEMS
PERIMETER PARK WEST
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FRANKFORT KY 40601

Enclosed: 2004 Legislative Update